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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

OMB APPROVAL	
OMB Number:	3235-0123
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8- 37519

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 1/1/2012 AND ENDING 12/31/2012  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Intercarolina Financial Services, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

3300 Battleground Road, Suite 400

(No. and Street)

Greensboro

NC

27410

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Joe Navolanic

(336) 288-6890

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Batchelor, Tillery & Roberts, LLP

(Name - if individual, state last, first, middle name)

Post Office Box 18068

Raleigh

NC

27619

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of  
information contained in this form are not required to respond  
unless the form displays a currently valid OMB control number.

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### OATH OR AFFIRMATION

I, Joseph Navolanic, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Intercarolina Financial Services, Inc., as of December 31, 20 12, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

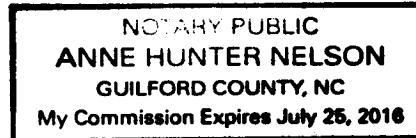
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*J. Navolanic*  
Signature  
President  
Title

*Anne Hunter Nelson*  
Notary Public



This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**BATCHELOR, TILLERY & ROBERTS, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 18068

RALEIGH, NORTH CAROLINA 27619

**Independent Auditors' Report**

RONALD A. BATCHELOR  
ANN H. TILLERY  
FRANKLIN T. ROBERTS  
WM. JAMES BLACK, JR.  
SCOTT E. CABANISS

3605 GLENWOOD AVENUE, SUITE 350  
RALEIGH, NORTH CAROLINA 27612  
TELEPHONE (919) 787-8212  
FACSIMILE (919) 783-6724

The Board of Directors and Stockholders  
Intercarolina Financial Services, Inc.:

**Report on the Financial Statements**

We have audited the accompanying statement of financial condition of Intercarolina Financial Services, Inc. (the "Company") as of December 31, 2012, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in Schedule 1 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Schedule 1 is fairly stated in all material respects in relation to the financial statements as a whole.

*Bachelor, Lillie & Roberts, LLP*

February 25, 2013

# Intercarolina Financial Services, Inc.

## Statement of Financial Condition As of December 31, 2012

### ASSETS

Cash	\$ 99,202
Deposit with Clearing Organizations	15,000
Accounts Receivable:	
Commissions - Clearing Broker	23,337
Commissions and Fees - Mutual Fund and Annuity Companies	160,053
Stockholders and Brokers	20,275
Securities Owned:	
Not Readily Marketable, at Estimated Fair Value	1,700
Prepaid Items	6,222
Furniture and Equipment at Cost, Net of Accumulated Depreciation of \$38,410	11,900
<b>TOTAL ASSETS</b>	<b>\$ 337,689</b>

### LIABILITIES AND STOCKHOLDERS' EQUITY

Commissions Payable	\$ 140,654
Accounts Payable, Accrued Expenses and Other Liabilities	30,001
<b>TOTAL LIABILITIES</b>	<b>170,655</b>
<b>Stockholders' Equity</b>	
Common Stock (\$1 par Value, 100,000 Shares Authorized, 1,338 Shares Issued and Outstanding)	1,338
Additional Paid-in Capital	48,518
Retained Earnings	117,178
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>167,034</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 337,689</b>

The accompanying Notes are an integral part of these Financial Statements.

# **Intercarolina Financial Services, Inc.**

## **Statement of Income For the Year Ended December 31, 2012**

<b>Revenues</b>	
Commissions and Fees	\$ 2,288,923
Interest	<u>5,568</u>
<b>TOTAL REVENUES</b>	<b><u>2,294,491</u></b>
<b>Expenses</b>	
Commissions	1,718,415
Officers' Salaries	82,245
Employees' Compensation	123,246
Payroll Taxes	17,886
Insurance	71,876
Rent	31,934
Depreciation	1,626
Regulatory and Exchange Fees	37,740
Clearing Expense	58,342
Other Fees	14,496
Office	38,904
Legal and Accounting	30,316
Taxes and Licenses	3,549
Other	10,726
Less Amounts Allocated to Brokers	<u>(123,114)</u>
<b>TOTAL EXPENSES</b>	<b><u>2,118,187</u></b>
<b>NET INCOME</b>	<b><u>\$ 176,304</u></b>

The accompanying Notes are an integral part of these Financial Statements.

# Intercarolina Financial Services, Inc.

## Statement of Changes in Stockholders' Equity For the Year Ended December 31, 2012

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
<b>Stockholders' Equity January 1, 2012</b>	\$ 1,338	\$ 48,518	\$ 80,670	\$ 130,526
<b>Net Income</b>	0	0	176,304	176,304
<b>Dividends Paid</b>	<u>0</u>	<u>0</u>	<u>(139,796)</u>	<u>(139,796)</u>
<b>Stockholders' Equity December 31, 2012</b>	<u>\$ 1,338</u>	<u>\$ 48,518</u>	<u>\$ 117,178</u>	<u>\$ 167,034</u>

The accompanying Notes are an integral part of these Financial Statements.

# Intercarolina Financial Services, Inc.

## Statement of Cash Flows For the Year Ended December 31, 2012

### Cash Flow from Operating Activities:

Net Income	\$ 176,304
Adjustments to Reconcile Net Income to	
Net Cash Provided by Operating Activities:	
Depreciation	1,626
Increase (Decrease) in Operating Assets:	
Receivables from Clearing Broker and Mutual Fund and	
Annuity Companies	5,699
Other Receivables	3,489
Prepaid Items	355
Decrease in Operating Liabilities:	
Accounts Payable and Accrued Expenses	<u>(439)</u>

<b>Net Cash Provided by Operating Activities</b>	<b><u>187,034</u></b>
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### Cash Flows from Investing Activities

Advances to Stockholders	(55,326)
Repayment of Advances to Stockholders	<u>41,418</u>

<b>Net Cash Used by Investing Activities</b>	<b><u>(13,908)</u></b>
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### Cash Flows from Financing Activities:

Dividends Paid	<u>(139,796)</u>
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<b>Net Cash Used by Financing Activities</b>	<b><u>(139,796)</u></b>
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<b>Net Increase in Cash</b>	<b>33,330</b>
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<b>Cash at Beginning of Year</b>	<b><u>65,872</u></b>
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<b>Cash at End of Year</b>	<b><u><u>\$ 99,202</u></u></b>
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### Supplemental Disclosure of Cash Flow Information:

Cash paid for:

Interest	\$ 0
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The accompanying Notes are an integral part of these Financial Statements.



# **Intercarolina Financial Services, Inc.**

## **Notes to Financial Statements**

**December 31, 2012**

### **NOTE 1 - Summary of Significant Accounting Policies**

Organization and Nature of Business - Intercarolina Financial Services, Inc., ("The Company") is a fully disclosed introducing broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of various exchanges and the Financial Industry Regulatory Authority (FINRA). The Company's securities are cleared through a clearing broker-dealer. The Company does not maintain customers' security accounts nor does it perform custodial functions related to customer securities.

Basis of Presentation - The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services. The Company's policy is to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America.

Securities Transactions - Commission revenues from securities transactions are recognized on a trade-date basis.

Bad Debts - The Company writes off doubtful receivables in amounts equal to the estimated collection losses that will be incurred. No allowance is required for 2012.

Furniture and Equipment - Furniture and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the related assets, primarily 5-10 years, using the straight-line method. Depreciation expense was \$1,626 in 2012.

Commissions - Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

Investment Advisory Income - Investment advisory fees are received quarterly but are recognized as earned on a pro rata basis over the term of the contract.

Cash - For purposes of reporting cash flows, cash includes cash on deposit with federally insured commercial banks, cash on deposit with clearing brokers, and certificates of deposit with original maturities of three months or less.

Use of Estimates - The presentation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(Continued)

# **Intercarolina Financial Services, Inc.**

## **Notes to Financial Statements**

**December 31, 2012**

### **NOTE 1 – Summary of Significant Accounting Policies** (Continued)

Compensated Absences - Employees of the Company are entitled to paid sick and vacation days depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when actually paid to employees.

Deposits Held In Financial Institutions - The Company maintains its cash balances in one financial institution located in Greensboro, North Carolina. The non-interest bearing accounts are fully insured by the Federal Deposit Insurance Corporation (FDIC) at December 31, 2012. The interest-bearing accounts are insured by the FDIC up to \$250,000 per institution and did not exceed the federally insured limit at December 31, 2012.

Subsequent Events - Subsequent events have been evaluated through February 25, 2013, which is the date the financial statements were available to be issued.

### **NOTE 2 - Securities Owned**

Not Readily Marketable - The Company has investments in two non-publically traded companies, one consisting of less than 1% of the issued common stock of a real estate investment company and the second consisting of 1% of the issued common stock of Fund Direct Advisors, Inc., a registered investment advisor. These investments are valued at cost, which approximates management's estimate of fair value.

### **NOTE 3 - Commitments and Contingencies**

The Company leases its Greensboro office under an operating lease agreement. Office equipment is leased on a month-to-month basis. Rent expense for the year ended December 31, 2012 was \$31,934. At December 2012, future minimum lease obligations are as follows:

2013	<u>\$ 18,738</u>
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### **NOTE 4 - Related Party Transactions**

The Company has made unsecured non-interest-bearing advances to stockholders of \$16,408 as of December 31, 2012. In addition, the Company receives investment advisory fees from Fund Direct Advisors, Inc., a related corporation. Fees earned during 2012 were approximately \$40,000.

# **Intercarolina Financial Services, Inc.**

## **Notes to Financial Statements**

**December 31, 2012**

### **NOTE 5 - Retirement Plan**

The Company maintains a Savings Incentive Match Plan for Employees of Small Employers. The Company did not contribute to the plan in 2012.

### **NOTE 6 - Income Taxes**

The Company has elected "S" Corporation status. Accordingly, all tax attributes are passed through to the stockholders for both federal and state income-tax purposes.

Effective January 1, 2009, the Company implemented the accounting guidance for uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. Such tax positions initially and subsequently need to be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the positions and relevant facts. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of December 31, 2012, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and has incurred no interest or penalties related to unrecognized tax liabilities. With few exceptions, the Company is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2009.

### **NOTE 7 - Net Capital Requirement**

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2012, the Company had net capital of \$123,925, which was \$112,542 in excess of its required net capital of \$11,383. The Company's ratio of aggregate indebtedness to net capital was 1.38 to 1 at December 31, 2012.

# Intercarolina Financial Services, Inc.

## Schedule I

### Computation of Net Capital Requirement Under Rule 15c3-1 of the Securities and Exchange Commission As of December 31, 2012

#### Net Capital

Total stockholders' equity qualified for Net Capital	\$ 167,034
Subordinated Borrowings	<u>0</u>

Total capital and allowable subordinated liabilities	<u>167,034</u>
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#### Deductions and/or Charges:

##### Non-allowable assets:

Certain pending commissions	3,012
Receivables from stockholders and brokers	20,275
Securities not readily marketable	1,700
Property and equipment, net	11,900
Prepaid Items	<u>6,222</u>
	<u>43,109</u>

Net Capital	<u>\$ 123,925</u>
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#### Aggregate Indebtedness

Total aggregate indebtedness included in Statement of Financial Condition	<u>\$ 170,655</u>
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Ratio of aggregate indebtedness to net capital	1.38
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#### Computation of Net Capital Requirement

Minimum net capital required (6 2/3% of aggregate indebtedness)	<u>\$ 11,383</u>
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Minimum dollar net capital requirement	<u>\$ 5,000</u>
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# Intercarolina Financial Services, Inc.

## Schedule I

### Computation of Net Capital Requirement Under Rule 15c3-1 of the Securities and Exchange Commission As of December 31, 2012

#### Exemptive Provision Under Rule 15c3-3

An exemption from Rule 15c3-3 is claimed under section (K)(2)(B). All customer transactions are cleared through National Financial Services, LLC on a fully disclosed basis.

#### Reconciliation of Computation of Net Capital Under Rule 15c3-1 with Company's Computation (included in Part II of Form X-17A-5 as of December 31, 2012)

Net Capital, as reported in Company's Part II FOCUS report: (unaudited) (as amended)	\$ 123,925
Audit Adjustments:	<u>0</u>
Net Capital, as reported on previous page	<u><u>\$ 123,925</u></u>

**BATCHELOR, TILLERY & ROBERTS, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 18068

RALEIGH, NORTH CAROLINA 27619

RONALD A. BATCHELOR  
ANN H. TILLERY  
FRANKLIN T. ROBERTS  
WM. JAMES BLACK, JR.  
SCOTT E. CABANISS

3605 GLENWOOD AVENUE, SUITE 350  
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FACSIMILE (919) 783-6724

**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL REQUIRED BY SECURITIES  
AND EXCHANGE COMMISSION RULE 17A-5**

The Board of Directors and Stockholders  
Intercarolina Financial Services, Inc.:

In planning and performing our audit of the financial statements of Intercarolina Financial Services, Inc. (the "Company"), as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- 1) Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
- 2) Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit

preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate as of December 31, 2012 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, stockholders, management, the SEC, the Financial Industry Regulatory Authority, Inc., and any other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Batchelor, Lileung & Roknata, LLP*

February 25, 2013

**BATCHELOR, TILLERY & ROBERTS, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 18068

RALEIGH, NORTH CAROLINA 27619

RONALD A. BATCHELOR  
ANN H. TILLERY  
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3605 GLENWOOD AVENUE, SUITE 350  
RALEIGH, NORTH CAROLINA 27612  
TELEPHONE (919) 787-8212  
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**INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES RELATED TO  
AN ENTITY'S SIPC ASSESSMENT RECONCILIATION**

The Board of Directors and Stockholders  
Intercarolina Financial Services, Inc.:

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] on page 3 to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2012, which were agreed to by Intercarolina Financial Services, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating Intercarolina Financial Services, Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Intercarolina Financial Services, Inc.'s management is responsible for Intercarolina Financial Services, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2012, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2012, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences; and,
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences.



We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Baskin, Lilling & Roberts, LLP*

February 25, 2013

INTERCAROLINA FINANCIAL SERVICES, INC.

Schedule of Assessment and Payments

Year ended December 31, 2012

Assessment for December 31, 2012	\$ 863
Less:	
Payment July 26, 2012	<u>(1,443)</u>
Balance due, March 1, 2013	\$ <u><u>(580)</u></u>